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Message Text

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PAGE 01 KUALA 02045 171013Z

43 R
ACTION EA-10

INFO OCT-01 ISO-00 /011 W
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R 170905Z APR 75
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 9586
INFO AMEMBASSY LONDON

C O N F I D E N T I A L KUALA LUMPUR 2045

E.O. 11652: GDS
TAGS: ENRG, MY
SUBJ: PRIME MINISTER'S STATEMENT ON LEGISLATION ON
OIL DISTRIBUTORS

REF: K.L. 1964 (NOTAL), 1891, 1860, 1862, 1834; STATE 078498 (NOTAL)
079395, 083288

1. NEW STRAITS TIMES ARTICLE, DATELINE LONDON, APRIL 16,
REPORTS FIRST PUBLIC STATEMENTS BY PRIME MINISTER TUN
ABDUL RAZAK ON PETROLEUM DEVELOPMENT (AMENDMENT) ACT,
1975. (PM IS VISITING LONDON AS FIRST STOP ON THREE-
WEEK TRIP TO EUROPE AND COMMONWEALTH PRIME MINISTERS'
MEETING IN JAMAICA).

2. PM ASSURED OIL COMPANIES THAT GOM DOES NOT INTEND
TO NATIONALIZE PETROLEUM INDUSTRY IN MALAYSIA. SAID
UNDER MALAYSIAN LAW GOM COULD NOT TAKE OVER PROPERTIES
WITHOUT COMPENSATION. AMENDMENT WAS TO BRING OIL COM-
PANIES TO TALK TO GOVT AND COME TO SOME SORT OF AMICABLE
UNDERSTANDING. PM SAID, "OTHERWISE THEY WILL NOT TALK
TO US. IN THE CASE OF NATURAL RESOURCES LIKE OIL AND
TIN, THE GOVT FELT THAT THE PEOPLE THROUGH THE GOVT
SHOULD PARTICIPATE. GOVT PARTICIPATION WOULD ALSO
INSURE A REGULAR SUPPLY OF ESSENTIAL ITEMS LIKE KEROSENE."

3. COMMENT. ASSUME APPROACH BY HMG AND POSSIBLY RECEIPT
OF OUR AIDE-MEMOIRE PROMPTED PUBLIC STATEMENT OF PM. WE
DOUBT THAT PM WAS FULLY PREPARED FOR EXTENT OF FOREIGN
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REACTION TO NEW LEGISLATION. AT FIRST CONSIDERATION,

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PM'S REMARKS THAT "THEY WILL NOT TALK TO US" APPEARED TO US TO BE FACE-SAVING RATIONALIZATION OF SITUATION. HOWEVER, HIS SPECIFIC MENTION OF KEROSENE SUPPLY (A POLITICALLY SENSITIVE ITEM) COULD SIGNAL CONTINUING GOM UNHAPPINESS WITH SOME FOREIGN PETROLEUM DISTRIBUTORS REGARDING PROVISION OF KEROSENE UNDER PRICE CONTROL REGIME WHICH MAKES SUCH OPERATION UNPROFITABLE FOR SOME DIS-TRIBUTORS.

4. FIRST NATIONAL CITY BANK SENIOR VICE PRESIDENT FOR PETROLEUM HUBERT HOLDEN SCHEDULED TO SEE RAZALEIGH AFTER-NOON 16TH AND PRESIDENT OF ESSO EASTERN O'LAUGHLIN (WHO HAS BEEN HELD AT ARMS LENGTH ALL WEEK) NOW SCHEDULED TO SEE RAZALEIGH ON 18TH.
UNDERHILL

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